



Quarterly Financial Report

Third Quarter of 2012-13

May 28, 2013

The financial information in this report reflects the City's overall financial position for the fiscal year through March 2013.

EXECUTIVE SUMMARY

Amendments. The General Fund budget presented in the third quarter report reflects the adopted budget of \$89,922,437 along with eleven budget amendments approved by Council that totaled \$1,264,612. A summary of the amendments is presented below. The only amendment that involved an appropriation from fund balance was the \$650,000 approved for employee bounsos. The \$63,000 for the firing range mitigation project was appropriated from unexpended capital funds that were being held in reserve.

Adopted Budget	\$89,922,437
Budget Amendments:	
NC Arts Council Grassroots Arts Grant	50,431
Linamar ED Incentive	200,000
Firing Range Mitigation Project	63,000
Public Housing Police Unit Partnership	217,000
RENCI Grove Arcade Lease	36,096
Plasticard Locktech ED Incentive	13,400
Employee Bonus**	650,000
Community Center Grants	7,834
Energy Rebates	21,801
Bicycle Wayfinding Grant	1,050
Bojangles Easter Eggstravaganza Sponsorship	<u>4,000</u>
3/31/2013 Budget	<u>\$91,187,049</u>
** Fund Balance Usage	

Revenues. Through March 31, 2013, the City has collected \$74,680,403 in General Fund revenue, which represents approximately 82.5% of the total General Fund revenue budget. Revenue collections through the first nine months of the previous fiscal year were at 83% of budget, so collections this year are almost identical to the previous year's percentage through three quarters. The City has received nine months of sales tax revenue, and collections are up 5.9% compared to the prior year. Sales tax revenue is now projected to exceed budget by \$175,000. Property tax and state utility tax revenue continue to lag behind budget. Overall, staff is currently estimating that total FY 2012-13 General Fund revenue will come in under budget by \$272,000 or 0.30%.

Expenditures. General Fund expenditures through March 31, 2013 total \$60,412,963 or 66.3% of the budget. One year ago expenses were at 68.2% of budget at this same point in the fiscal year. As discussed during the recent budget worksessions, to hedge against uncertainty in next year's budget, staff has set aside \$1 million in unexpended funds from the current fiscal year in unassigned fund balance to be used as contingency in FY 2013-2014. The General Fund year end estimates on page 3 of this report reflect the additional savings that been identified toward this budget savings target.

Fund Balance. The City ended FY 2011-12 with available fund balance of \$13.63 million, which equated to 15.9% of FY 2011-12 expenditures. At the November 13th meeting, Council approved the use of \$650,000 in fund balance for one-time employee bonuses. ***Factoring in the savings mentioned above, staff estimates that available fund balance at June 30, 2013 will be \$14.5 million or 16.2% of estimated expenditure, which will be approximately \$1.0 million over the 15% fund balance policy target.***

GENERAL FUND

	Revised	3/31/2013	Year-End	Pos./(Neg.)
Revenues:	Budget	Actuals	Estimate	Bud. Variance
Property Taxes	47,588,463	45,802,531	47,188,463	(400,000)
Sales & Other Taxes	16,990,325	10,311,566	17,165,325	175,000
Intergovernmental	11,493,494	8,537,970	11,581,505	88,011
Licenses & Permits	5,344,000	4,430,491	5,270,454	(73,546)
Sales & Services	4,080,656	3,115,561	3,943,944	(136,712)
Investment Earnings	225,000	38,998	150,000	(75,000)
Miscellaneous	1,127,414	1,110,662	1,277,414	150,000
Other Financing Sources	<u>3,687,697</u>	<u>1,332,622</u>	<u>3,687,697</u>	<u>0</u>
Total Revenue	<u>90,537,049</u>	<u>74,680,403</u>	<u>90,264,803</u>	<u>(272,246)</u>
Expenditures:				
Administration	1,292,966	913,802	1,242,966	50,000
Legal Services	655,200	467,050	645,200	10,000
Finance & Management	3,279,446	2,132,346	3,129,446	150,000
Human Resources	1,331,338	838,516	1,181,338	150,000
Information Tech. Srv	2,656,058	2,098,172	2,606,058	50,000
Nondepartmental	12,068,810	5,694,697	11,993,810	75,000
Economic Development	549,528	496,753	524,528	25,000
Fire	18,603,472	14,472,067	18,578,472	25,000
Police	21,371,052	14,599,211	21,046,052	325,000
Building Safety	4,175,897	2,733,802	3,975,897	200,000
Transportation	1,024,893	685,660	949,893	75,000
Public Works	12,590,147	7,771,298	12,265,147	325,000
Planning	1,817,549	1,097,014	1,717,549	100,000
Parks & Recreation	<u>9,770,693</u>	<u>6,412,576</u>	<u>9,520,693</u>	<u>250,000</u>
Total Expenditure	<u>91,187,049</u>	<u>60,412,963</u>	<u>89,377,049</u>	<u>1,810,000</u>
Rev. (Under) Exp.	<u>(650,000)</u>	<u>14,267,440</u>	<u>812,754</u>	
Other Financing Sources (Uses):				
Fund Bal. Change	<u>(650,0000)</u>		<u>887,754</u>	
Beginning Fund Balance	<u>13,626,000</u>		<u>13,626,000</u>	
Ending Fund Balance	<u>12,976,000</u>		<u>14,513,754</u>	
Fund Balance Percentage	<u>14.2%</u>		<u>16.2%</u>	

REVENUES:

At this point in the fiscal year, staff is projecting FY 2012-13 General Fund revenue will be \$90,189,803, which is \$350,000 or 0.38% below the revised budget. Major revenues to report on for the 3rd quarter include:

Property taxes. 96.2% of the property tax budget had been collected as of March 31, which is typical for that point in the fiscal year. As reported in the second quarter report, staff received the official 2012-13 assessed valuation data from Buncombe County in January, and it showed that the City's tax base grew by only 0.6%. Property tax revenue is expected to fall short of budget by approximately \$400,000 or 0.84%.

Sales taxes. To date, the City has received eight months of sales tax revenue in FY 2012-13, and revenue is up 5.9% compared to the same time period last year. The Fiscal Research Division of the N.C. General Assembly projected in its April 2013 update that sales tax growth at the state level for FY 2012-13 would be 3.1%, well below last year's statewide growth of 6.3%. Based on this assumption and performance through the first nine months, budget staff is estimating that sales tax revenue will exceed budget by \$175,000.

Intergovernmental. The City receives approximately \$7 million annually in revenue from state utility taxes on electricity, natural gas, telecommunications, and video programming, making it the third largest General Fund revenue source after property and sales taxes. The City has received three of the four quarterly state utility tax payments, and revenue is flat compared to the same time period in the prior fiscal year. Overall, staff is still projecting that intergovernmental revenue will finish the year very close to budget.

Other Revenues. Revenues in the Development Services department were running ahead of budget at the end of the third quarter and up 15% compared to one year ago. The City has received three quarterly payments from the ABC Board and revenue is up 25% or \$145,000 compared to FY 2011-12.

EXPENDITURES:

Salaries. Through the third quarter, there were 18.5 payroll cycles charged against the FY 2012-13 budget, which represents 70.9% of the total payroll cycles that will occur during this fiscal year. Actual salary expenses through the third quarter were at 70.7% of budget, which indicates that the General Fund salary expenses are on target to end the year right on budget.

Fuel & Fleet Maintenance. As noted in previous quarter financial reports, the General Fund budget for fuel and fleet maintenance expenses totals \$3.2 million, which matches the actual level of expenses from the prior fiscal year; an indication that there is little flexibility in the budget for fuel and fleet maintenance expenses. Third quarter results reflect this tight budget situation – expenditures were at 75% of budget. In terms of prices, the average price of B5 biodiesel fuel was 13 cents per gallon lower during the third quarter of this fiscal year compared to FY 2011-12, and the cost of E10 fuel was 11 cents lower. With fuel prices trending lower than in the previous fiscal year, staff is estimating that the current budget will be sufficient to meet expenditures for the remainder of this fiscal year.

Utilities. The Asheville region experienced a warmer than normal winter for the second year in a row. As a result, expenditures for electricity and natural gas are below budget estimates as of the end of the third quarter. Savings in utility budgets will be used toward the \$1.0 million savings goal that the City has established for the current fiscal year.

LIVING WAGE STATUS REPORT:

During the third quarter, the City entered into two contracts between \$30,000 and \$90,000 in which living wage guidelines were applicable. Both contracts are encumbered and underway. The additional costs associated with these contracts were anticipated and fully covered in the existing FY 2012-13 budget.

FUND BALANCE ANALYSIS:

The City ended FY 2011-12 with available fund balance of \$13.63 million, which equated to 15.9% of FY 2011-12 expenditures. At the November 13th meeting, Council approved the use of \$650,000 in fund balance for one-time employee salary bonuses. Factoring in the savings mentioned above, staff estimates that available fund balance at June 30, 2013 will be \$14.5 million or 16.2% of estimated expenditure, which will be approximately \$1.0 million over the 15% fund balance policy target.

ENTERPRISE FUNDS

The following information summarizes year-to-date and year-end projections for the City's enterprise funds.

Water Fund

	Revised Budget	3/31/2013 Actuals	Year-End Estimate	Pos./(Neg.) Bud. Variance
Revenue	33,598,752	25,222,108	33,865,267	266,515
Expenditure	33,598,752	23,533,752	32,183,959	1,414,793
Rev. Over/(Under) Exp.	0	1,688,357	1,681,308	--

Water operating revenues are projected to be \$266,515 over budget due primarily to revenues received from the sale of old meters associated with the Automated Meter Reading (AMR) project. Water expenditures are now projected to be \$1,414,793 under budget due to a variety of factors, including vacancy savings, reduced overtime expenses due to a mild winter, and a reduction in multiple operating expense line items, (materials - mild winter with less waterline breaks, bank fees, and bad debt). The department intends to redirect budget savings to capital projects to align the goals in City Council's Strategic Operating Plan.

US Cellular Center Fund

	Adopted Budget	3/31/2013 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Operating Revenue*	1,812,393	1,716,763	1,911,664	99,271
Expenditure	2,508,078	1,684,799	2,508,078	0
Rev. Over/(Under) Exp.	(695,685)	31,964	(596,414)	--

* Represents operating revenue before general fund subsidy

Third quarter bookings were down approximately 15% compared to FY 2011-12. Fourth quarter bookings, however, are greatly increased compared to Q4 of FY 2011-12. Fourth quarter confirmed event bookings have increased by 155% compared to the prior year. Third quarter highlights included sell out shows of the Asheville Symphony and Jerry Seinfeld, along with another strong year of Southern Conference basketball and the WNC Home, Lawn & Garden Show. Attendance and ancillary revenues associated with the Southern Conference tournament remained relatively consistent with FY 2011-12, although food & beverage sales were slightly down. The receipt of a \$500,000 signing bonus from Ticketmaster will be used to help balance FY 2012-13 operating results and begin restoring fund balance back to the 16% target amount.

Parking Fund

	Revised Budget	3/31/2013 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue*	3,546,354	2,681,815	3,550,000	3,646
Expenditure	4,596,354	2,952,339	4,350,000	246,354
Rev. Over/(Under) Exp.	(1,050,000)	(270,524)	(800,000)	--

* Does not include fund balance appropriation

Historically, the 3rd quarter is always the slowest for Parking Services, especially on street revenues such as meter collections and citations, and this year was no exception. At this point, meter revenues are running slightly below expectations. Revenues for parking citation penalties and late fees are also below expectations due to unexpected employee retirements and workplace injuries earlier in the year. However, as the weather warms, we expect on-street revenues to increase. Most categories of garage parking revenues - especially garage revenue such as special event, transient, after-hours, and monthly parking - are running at or well above expectations and remained strong during the third quarter. Usage of the Biltmore Avenue Parking Garage improved steadily as the third quarter progressed. This will slow a little as the contractors return to repair items from the garage punch list that were unable to be repaired due to cold temperatures. Expenditures are expected to come in at approximately 95% of budget. City Council approved the appropriation of \$1,050,000 in Parking fund balance for the purchase of the Icehouse property and its subsequent demolition. Year-end revenue and expenditure estimates now indicate that only approximately \$800,000 in fund balance will be actually used.

Transit Fund

	Revised Budget	3/31/2013 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Revenue	5,800,263	2,998,106	5,741,530	(58,733)
Expenditure	5,800,263	4,132,945	5,661,151	139,112
Rev. Over/(Under) Exp.	0	(1,134,839)	80,379	--

Expenses are tracking very close to budget. On the positive side, bus maintenance expenses have been reduced almost 40% during this year as a result of the incorporation of the new buses. Fare revenue is currently 10% below the target. Ridership is showing steady recovery, but it is still 4% less than the prior year. Ridership trends will continue to be monitored to determine if there will be an impact on future revenue. The fund shows a deficit at the end of the 3rd quarter due to the timing of federal grant draw downs. Overall, staff is currently projecting that revenues will exceed expenses by \$80,000 at year end.

Stormwater Fund

	Revised Budget	3/31/2013 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Revenue*	3,000,723	2,034,754	3,050,000	49,277
Expenditure	3,413,802	2,082,545	2,900,000	513,802
Rev. Over/(Under) Exp.	(413,079)	(47,791)	150,000	--

* Does not include fund balance appropriation

The stormwater construction crew completed the Blair Street. pipe relocation project, upgraded a drainage system on Belmont Avenue, replaced a cross pipe on Round Top Road, installed 2 additional catch basins and pipe on Euclid Boulevard and installed pipe and catch basins along Old Haw Creek to correct a safety issue for a total of 796 feet of pipe installation. The stormwater maintenance crew completed 86 work orders during the third quarter: 11 ditch line and road shoulder repair, 10 reset or replace lid, 7 sinkhole repairs, 1 pipe replacement, 56 rain day drain cleaning and 1 catch basin repair. The stormwater maintenance crews also swept 460 miles of roadways and cleaned and inspected 3571 catch basins which removed 274.28 tons of material. The Stormwater Fund budget includes a \$413,079 appropriation from fund balance for capital improvements on Michigan Avenue and Blair Street. It is anticipated based on current year revenue and expense trends, that the fund will not require the use of any of the budgeted fund balance.

Street Cut Utility Fund

	Adopted Budget	3/31/2013 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Revenue	1,834,923	893,864	1,500,000	(334,923)
Expenditure	1,834,923	988,621	1,500,000	334,923
Rev. Over/(Under) Exp.	0	(94,757)	0	--

The Utility Patch Crews have patched 102 asphalt and 33 concrete cuts for the Water Department, 15 asphalt, and 2 concrete cuts for PSNC, 36 asphalt and 4 concrete cuts for MSD and 19 asphalt cuts for the Stormwater Division from January 1 to March 31, 2013 for a total of 211 cuts. The total square footage for asphalt cuts is 9,919.04. The total square footage for concrete cuts is 4,193.11. An additional 56 dirt cuts were inspected.

CAPITAL PROJECT UPDATE

As of the end of March, the total amount available in capital reserves was \$205,000. At its May 14th meeting, City Council approved the use of \$75,000 in capital reserves for constructing a left turn lane and installing a new traffic signal on NC 81 as part of the Azalea Road/Lake Craig project; leaving a balance of \$130,000 in capital reserves.

The remainder of this section provides an update on the status of some of the City's active major capital projects.

Integrated Document Management System

Budget	Expenditures & Encumbrances	Avail. Budget
107,600	93,551	14,049

The project was officially kicked off the first week of January. Staff has documented specific requirements for Police, Fire, Development Services, City Manager's Office, and Public Works. Sire Technologies has set up our hosted software environment and built the digital "file cabinets" to store all of the records from the legacy Keyfile system. The new system is currently being used to add new documents and no new documents are being added to the old system. Sire is currently working on the conversion of nearly 2.1 million files to the new system. Estimated completion of this conversion is the end of May 2013. Integration with the Development Services Accela system is currently not available because of our hosted environment. Sire will still be used to store documents for the DSC but no integration will be available.

Beaucatcher Greenway

Budget	Expenditures & Encumbrances	Avail. Budget
1,261,781	326,955	934,826

The contract has been routed and work initiated at the end of April with a walking tour of the site. The scope of work will take about 10 months to complete.

TIGER Grant II for Clingman Forest and Town Branch Greenways

Budget	Expenditures & Encumbrances	Avail. Budget
280,000	280,000	0

The contract has been routed and work initiated at the end of April with two walking tours to address each greenway. The scope of work will take about 10 months to complete.

Greenway Land Acquisition

Budget	Expenditures & Encumbrances	Avail. Budget
217,315	129,322	87,993

The land acquisition for the Festiva and Beaucatcher Reservoir land exchange and French Broad River Greenway Burris property are complete and the Beaucatcher Greenway homeowner's property by Wind in the Oaks for City land exchange is virtually complete. Staff continues to work on the other greenway parcels.

WNC Nature Center – Playground and Red Wolf Project

Budget	Expenditures & Encumbrances	Avail. Budget
349,058	238,694	110,364

The project construction has proceeded well with the exception of some delays caused by weather which will extend work into July.

WNC Nature Center – New Entrance & Animal Exhibits Project

Budget	Expenditures & Encumbrances	Avail. Budget
92,630	89,632	2,998

The consultant is developing the construction documents for the structures and landscape. This process is delayed as the location previously unknown storm water and water lines were uncovered are being determined.

Parks & Recreation Maintenance

Budget	Expenditures & Encumbrances	Avail. Budget
400,000	354,411	45,589

To date, expenditures have been made on the following projects: 1) Velodrome Exploratory Borings--\$7,500 for design; 2) Malvern Hills Pool Cover--\$16,750; and 3) Brinson Sign--\$4,472. The bid is pending on the Aston Park Tennis Court Lifts--\$145,000 construction. A \$50,000 Accessibility Audit and Transition Plan contract was executed in November. The Montford Gym Floor is in design.

Public Art Acquisition

Budget	Expenditures & Encumbrances	Avail. Budget
95,614	0	95,614

The RFQ for 51 Biltmore – Aloft will be issued in mid-May and the RFQ for the US Cellular Center/Civic Center was issued and closed with 50 applicants to evaluate. The timeline to install the piece was extended to August by the center staff due to construction phasing.

CBD Traffic Signal Poles

Budget	Expenditures & Encumbrances	Avail. Budget
131,131	125,629	5,502

The contract has been awarded and the materials/equipment have been ordered and should be delivered by the end of May 2013. Foundation work should begin during the first part of June 2013 and all work should be completed by September 2013.

Sidewalk Maintenance & Construction

Budget – various projects

During the 3rd quarter, the sidewalk crew installed 878 linear feet of sidewalk along East Oakview Road that will allow safe pedestrian passage from the newly constructed East Oakview Bridge to Brevard Road. The sidewalk crew is currently working on Brevard Road where it intersects with I-240. With the completion of this short section there will be a continuous sidewalk walking surface along Brevard Road from Haywood Road to I-240. The Overlook Road sidewalk project has been advertised and bids will be opened on May the 23rd. The Vance Crescent / Olney sidewalk project has been awarded and is awaiting final signatures. The project will begin in early June. The Cherry Street / Pearl Street / Starnes Avenue sidewalk repair project has been awarded and construction will begin near the end of May. Plans and estimates have been developed for the Haywood Road multi-modal pedestrian improvement project. This project includes the construction of new sidewalk and a bicycle lane along Haywood Road from Craven Street to Beecham's Curve. We have begun the preliminary work on the federally funded Hendersonville Road sidewalk and pedestrian improvements project. This project will include the construction of new sidewalk and transit improvements along US 25 from I-40 to Long Shoals Road. The Wild Cherry Road bridge replacement project is complete. As part of this project we installed approximately 140 linear feet of new concrete sidewalk. This new section of sidewalk begins at the Thom's Estate entrance and runs across the new bridge to Beaverdam Road.

Airport Road Sewer (Projects #1 & #2)

Budget	Expenditures & Encumbrances	Avail. Budget
432,356	205,282	227,074

The work is complete on all but one line of both projects. The other will require condemnation. It hasn't been approved by MSD yet, due to an easement issue, but MSD is working with the contractor to solve the issue.

Cherokee/Sunset Wall

Budget	Expenditures & Encumbrances	Avail. Budget
475,468	466,422	9,046

Cherokee/Sunset Wall is currently under construction and is approximately 35% complete.

Wild Cherry Bridge

Budget	Expenditures & Encumbrances	Avail. Budget
706,597	683,563	23,034

Wild Cherry Bridge is substantially complete. It is open to traffic, and punch list items are being repaired. Staff expects final invoice by the end of the fiscal year.

Victoria Road Storm Drainage

Budget	Expenditures & Encumbrances	Avail. Budget
700,000	6,143	693,857

City crews have installed new storm water conveyance systems along Victoria Road. The project also consists of stabilization of the bank along Victoria Road where storm water had flowed over. The design is in progress for this stabilization; construction is anticipated this construction season.

Lake Craig/Azalea Road Improvements

Budget	Expenditures & Encumbrances	Avail. Budget
4,163,209	1,576,505	2,586,734

The design of the project is continuing to move forward. Coordination with the Army Corps of Engineers and other regulatory agencies continues. Three public meetings have been held, in which the public has provided feedback on the designs. The construction plans for the project have been approved by the planning and zoning commission. Construction is anticipated to begin this summer. The city is partnering with NCDOT on improvements at the intersection of NC 81 and Azalea Road as part of this project. A traffic signal and turn lane will be installed by NCDOT beginning this construction season.

Craven Street Improvements

Budget	Expenditures & Encumbrances	Avail. Budget
565,643	543,851	21,792

The design of improvements along Craven Street continues to move forward. This project consists of improvements to the roadway, storm water system, installation of regional water quality improvements, a low impact parking area and a greenway. It is anticipated construction will begin this summer. Coordination with the regulatory agencies and utility companies is continuing in order to acquire necessary permits for the project. The construction plans for the project have been approved by the planning and zoning commission.

Michigan Avenue Stormwater Improvements

Budget	Expenditures & Encumbrances	Avail. Budget
290,000	0	290,000

City crews plan to install a storm water system along a section of Michigan Avenue. It is anticipated that construction will begin this construction season.

Blair Street Stormwater Improvements

Budget	Expenditures & Encumbrances	Avail. Budget
155,720	0	155,720

The stormwater drainage system has been installed along Blair Street, the roadway resurfacing is planned to take place this spring.

City Hall Repairs

Budget	Expenditures & Encumbrances	Avail. Budget
6,001,833	3,906,861	2,094,972

The project is approximately 32 % complete. Change order for option has been approved to replace all bricks above the 6th floor. Most demolition has been complete and work is progressing ahead of schedule.

National Guard Armory Repairs

Budget	Expenditures & Encumbrances	Avail. Budget
60,000	44,920	15,080

Roof has been repaired. Work continues on upgrades to the interior of several spaces for APD and Facilities.

McCormick Field Resurfacing

Budget	Expenditures & Encumbrances	Avail. Budget
300,000	227,411	72,589

This project is complete. A portion of the savings will be used to replace the HVAC in the evidence rooms for APD. Staff will bring a budget amendment to Council in June to appropriate the funds for that project.

FY13 Roof Replacements

Budget	Expenditures & Encumbrances	Avail. Budget
214,000	82,000	132,000

Burton Street Community Center, Hunt Hill (Purchasing), and Fire Station 7 roofs have been replaced. The Nature Center and Fire Station 6 roofs have been repaired.

INVESTMENT REPORT

The total cash and investments for the City of Asheville as of March 31, 2013 were \$109,135,147. These investments represent cash and cash equivalents and do not reflect budgeted contractual commitments against these funds. These investments comply with North Carolina General Statutes, the City's investment policies and the City's bond restrictions. The average rate of return for all investments is 0.56%. Shown below are the total investments as of March 31, 2013, reduced by contractual commitments and the funds that are restricted by bond order.

Total Cash & Investments as of 3/31/13		\$109,135,147
Less:		
Budgeted Commitments:		
Outstanding Encumbrances		(19,170,360)
Bond Restricted Funds:		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(5,431,172)	
Bond Proceeds to Be Drawn Down	<u>(7,589,750)</u>	
		<u>(32,191,282)</u>
Net Amount		\$76,943,865

Attached to this report are a graph and a table that provide greater detail on the allocation of funds within the City's investment portfolio.

SUMMARY

For more information. This summary is based on detailed information produced by the City's financial management system. If you would like additional information, or have any questions about the report, please call the Budget Office at 259-5635.
